

## **CORPORATE GOVERNANCE STATEMENT**

This Corporate Governance Statement has been prepared pursuant to the Finnish Corporate Governance Code 2010 and the guideline of the Securities Market Association dated 1 December 2010. The Corporate Governance Statement is issued separately from the report of the Board of Directors of Pöyry PLC for the financial period 1 January – 31 December 2011. The report of the Board of Directors is available at [www.poyry.com](http://www.poyry.com).

Corporate governance at Pöyry is based on the laws of Finland, the Articles of Association (“Articles”) of the parent company Pöyry PLC (“Company” or “Pöyry”), the Finnish Corporate Governance Code, and the rules and regulations of the Finnish Financial Supervisory Authority and NASDAQ OMX Helsinki Ltd, where the Company is listed.

The Company complies with the Finnish Corporate Governance Code. The Corporate Governance Code is publicly available on the website of the Securities Market Association [www.cgfinland.fi](http://www.cgfinland.fi).

The Company prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as approved by the Accounting Regulatory Committee of the EU, and the applicable laws, regulations and rules.

### **1 ORGANISATION AND DESCRIPTION OF THE COMPOSITION AND OPERATIONS OF THE BOARD AND BOARD COMMITTEES**

The responsibility for the control and management of the Company is divided between the shareholders represented at the General Meeting of Shareholders, the Board of Directors (“Board”) with its two Committees, and the President and CEO assisted by the Group Executive Committee.

#### **1.1 General Meetings of Shareholders**

The shareholders of Pöyry exercise their decision-making power at the Company’s General Meeting of Shareholders. The Annual General Meeting is held every year before the end of June, usually in March. The rights of the shareholders and the duties of the Annual General Meeting are defined in the law and in the Articles of Association of the Company.

An Extraordinary General Meeting may be convened by the Board when they consider it necessary or when required by law.

## 1.2 Board of Directors

### Composition of the Board

The Board consists of a minimum of four (4) and a maximum of ten (10) Directors. In its Charter, the Board has established a general guideline that the Board comprise at least five (5) Directors of whom the majority shall be independent. The Annual General Meeting decides on the number of Directors and elects the Directors for a term of one (1) year lasting until the close of the following Annual General Meeting. The Board appoints from among its members a Chairman and a Vice Chairman.

The Annual General Meeting of 2011 decided that the number of Directors is seven (7) and the following persons were elected as Directors:

#### **Henrik Ehrnrooth (Chairman of the Board)**

- Born 1954, Finnish citizen, M.Sc. (Forest Econ.), B.Sc. (Econ.). Not independent of significant shareholder
- Pöyry PLC, Chairman of the Board of Directors 2003-, Vice Chairman of the Board of Directors 1997-2002; Jaakko Pöyry Group, CEO 1995-1997; Jaakko Pöyry Oy, partner and co-owner 1985-1997 and President and CEO 1986-1995; Otava Ltd., Member of the Board of Directors 1988-; YIT Corporation, Chairman of the Board of Directors 2009-
- Member of the Pöyry Board since 1997
- Pöyry PLC shares: Henrik Ehrnrooth, together with his brothers Georg Ehrnrooth and Carl-Gustaf Ehrnrooth, indirectly holds a controlling interest in Corbis S.A. See page 75 in the Annual Report 2011.

#### **Heikki Lehtonen (Vice Chairman of the Board)**

- Born 1959, Finnish citizen, M.Sc. (Eng.). Independent member
- Componenta Corporation, President and CEO 1993-; Finnish Business and Policy Forum EVA, Member of the Supervisory Board 2005-; Otava Ltd., Member of the Board of Directors 1991-
- Member of the Pöyry Board since 1997
- Pöyry PLC shares: 33 200 (33 200)

#### **Pekka Ala-Pietilä**

- Born 1957, Finnish citizen, M.Sc. (Econ.), D.Tech. h.c., D.Sc. h.c. Independent member
- Blyk Ltd, Co-founder and CEO 2006-; Nokia Corporation, President 1999-2005, Member of the Group Executive Board 1992-2005; SAP AG, Member of the Supervisory Board 2002-
- Member of the Pöyry Board since 2006
- Pöyry PLC shares: 40 000 (40 000)

#### **Alexis Fries**

- Born 1955, Swiss citizen, diploma in Physics. Independent member
- Management Consultant 2003 -; Alstom Group Paris, Member of the Group Executive Committee and President Power Division 2001-2003; ABB Alstom Power Brussels, Member of the Group Central Executive Management 1999-2001; Saurer AG, Member of the Board of Directors 2002-2007

- Member of the Pöyry Board since 2008
- Pöyry PLC shares: 0 (0)

**Michael Obermayer**

- Born 1948, German and Swedish citizen, Civ Ing (M.Sc.), Dr. rer. nat. (D.Sc.) Biochemistry, MBA. Independent member
- McKinsey & Company, Inc, McKinsey Global Learning Institute, Dean 2000-2004, McKinsey Eastern Europe, Chairman 1991-2000, World Economic Forum, Managing Director and Dean, Global Leadership Fellows Programme 2005-2007; INSEAD, Adjunct professor, part time 2006-; Troika Capital Partners/Russia New Growth Fund, Executive Chairman 2005-2010; Fjord Clean Energy Fund LP, Fjord Capital Partners Ltd, General Partner 2007-
- Member of the Pöyry Board since 2009
- Pöyry PLC shares: 0 (0)

**Georg Ehrnrooth**

- Born 1966, Finnish citizen, Studies in agriculture and forestry, Högre Svenska Läroverket, Turku, Finland. Not independent of significant shareholder
- Chairman of the Board of Directors of the investment companies Corbis S.A.; Semerca Investments S.A. and Fennogens Investments S.A.; Norvestia Oyj Member of the Board of Directors 2010- ; Oy Forcit Ab Member of the Board of Directors 2010- ; eQ Asset Management Oy Chairman of the Board of Directors 2009-2011; Opus Capita Oy Member of the Board of Directors 2005-2011 ; Anders Wall Foundation Member of the Board of Directors 2008- ; Paavo Nurmi Foundation Member of the Board of Directors 2005- ; EnergyO Solutions Russia Plc Member of the Board of Directors 2009-2010; eQ Corporation Chairman of the Board of Directors 2002-2007 Chief Executive Officer 2005 Member of the Board of Directors 2000-2002; eQ Bank Ltd Chairman of the Board of Directors 2005-2007 Chief Executive Officer 2005 Member of the Board of Directors 1999-2000; Amanda Capital Plc Member of the Board of Directors 2000-2002; Seligson Asset Management Oyj Member of the Board of Directors 2000-2002
- Member of the Pöyry Board since 2010, external member of Pöyry Board's Nomination and Compensation Committee 2005-2010
- Pöyry PLC shares: Georg Ehrnrooth, together with his brothers Henrik Ehrnrooth and Carl-Gustaf Ehrnrooth, indirectly holds a controlling interest in Corbis S.A. See page 75 in the Annual Report 2011.

**Karen de Segundo**

- Born 1946, Dutch citizen, Master in Law, MBA. Independent member
- British American Tobacco Plc., Member of the Board of Directors 2007-; E.on AG, Member of the Supervisory Board 2008-; Lonmin Plc., Member of the Board of Directors 2005-; Royal Ahold NV, Member of the Supervisory Board 2004-2011; Shell International Gas & Power, CEO (Shell Global Gas & Power) and Chairman (Shell Coal) 1998-2000; Shell International Renewables, CEO (Shell Renewables) and Shell Hydrogen, President (Shell Hydrogen) 2000-2005
- Member of the Pöyry Board since 2005
- Pöyry PLC shares: 4000 (4000)

Curricula vitae of the Members of the Board are available on the company's website [www.poyry.com](http://www.poyry.com).

Shareholdings are stated as at 31 December 2011 and in brackets as at 31 December 2010. The figures include direct holdings, holdings of corporations or foundations in which the shareholder has a controlling interest, and holdings of the shareholder's spouse and other family members.

### **Operations of the Board**

The duties of the Board are those specified in the Companies Act, according to which the Board is responsible for overseeing that the management and operations, and the supervision of accounting and financial matters of the Company are appropriately organised. The Articles of the Company do not define other duties for the Board. The Board has authority to act in all matters not reserved by law or the Articles to another governing body.

The Board meets as often as necessary to properly fulfil its duties. The Board agrees well in advance on its annual meeting schedule and additional meetings are arranged when necessary. In 2011, the Board of Directors convened eleven (11) times. The average participation of Directors in the meetings was ninety-seven (97) per cent. The Board evaluates its performance and working methods annually.

The Board has adopted for itself a Charter. According to the Charter, apart from the statutory duties the main tasks of Board are:

- Approval of the strategic goals and direction
- Approval of strategically important or major acquisitions
- Business control including, among others, approvals of control policies, and business matters in accordance with the Company's Authorities and Approval Matrix
- Approval of the business organisation structure
- Appointment of the President and CEO
- Approval of the appointments of the Group Executive Committee and other top management
- Financial control including, among others, approval of interim reports and annual accounts and group level budgets;
- Approval of principles of risk management and internal control;
- Appointment of the Chief Audit Executive and the Internal Audit Charter;
- Appointments to the Board Committees and review of the reports of Board Committee.

## **1.3 Board Committees**

### **Audit Committee**

The Audit Committee comprises at least three (3) members. The members of the Audit Committee shall be independent of the company and at least one member shall be independent of significant shareholders. The committee members and committee Chairman are appointed in the first Board meeting held after the Annual General Meeting for a term of one (1) year.

The members elected to the Audit Committee on 10 March 2011 are Heikki Lehtonen, Chairman, Georg Ehrnrooth and Alexis Fries, who all are independent of the Company and, with the exception of Georg Ehrnrooth, also independent of the Company's

significant shareholders. The Audit Committee convened eight (8) times in 2011. The participation of members of the Committee in the meetings was ninety-six (96) per cent.

The Board has approved a Charter for the committee. According to its Charter, the Audit Committee shall assist the Board in its responsibilities concerning

- monitoring and supervising the financial reporting process
- monitoring the efficiency of the Company’s internal control, internal audit and risk management systems;
- reviewing the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which will be included in the Company’s corporate governance statement;
- monitoring the statutory audit of the financial statements and consolidated financial statements;
- reviewing the internal audit charter before submission to the Board for approval and reviewing internal audit plans and reports;
- evaluating the independence and performance of the statutory auditor or audit firm, particularly the provision of related services to the Company;
- contacts with the auditor and revision of the reports that the auditor prepares for the Audit Committee; and
- preparing the proposal for the resolution on the election of the auditor.

### **Nomination and Compensation Committee**

The Nomination and Compensation Committee comprises at least three (3) members. The majority of the members of the Nomination and Compensation Committee shall be independent of the Company. The committee members and committee Chairman are appointed in the first Board meeting held after the Annual General Meeting for a term of one (1) year.

Pekka Ala-Pietilä, Chairman, Heikki Lehtonen , Henrik Ehrnrooth and Karen de Segundo were elected to the Nomination and Compensation Committee on 10 March 2011. The Nomination and Compensation Committee convened nine (9) times in 2011. The average participation of members of the Committee in the meetings was ninety-four (94) percent.

The Board has approved a Charter for the committee. According to its Charter, the Nomination and Compensation Committee’s duties are to review on an annual basis the composition and the performance of the Board, and to identify and review nominees for Directors in accordance with the Company’s Guiding Principles for nomination of Directors of the Company. The Committee makes the proposal for the election of the Directors and their compensation to the Annual General Meeting of shareholders.

In addition, the Committee evaluates and makes recommendations to the Board in regard to

- matters relating to the appointment, compensation and other terms of the agreement of the President and CEO of the Company and identification of successors;
- basic principles about the compensation of the Company’s Group Executive Committee members;

- group level variable pay schemes, both short term and long term performance based incentive schemes;
- the executive talent pool based on reviews of successor candidates for key executive positions and reviews of other relevant factors for the executive talent pool.

The committees prepare minutes of their meeting and report to the Board.

#### **1.4 President and CEO**

The President and CEO is appointed by the Board.

In accordance with the Companies Act, the President and CEO is in charge of the day-to-day management of the Group in accordance with the guidelines and instructions of the Board. The statutory duties of the President and CEO include ensuring that the Company's accounting methods comply with law and other regulations, and that the financial matters are handled in a reliable manner. The President and CEO is also in charge of the preparation of matters to be presented to the Board.

Heikki Malinen (born 1962, Finnish citizen, M.Sc. (Econ.) and MBA) has acted as President and CEO of Pöyry since 1 June 2008.

#### **1.5 Group Executive Committee**

On 31 December 2011 the Group Executive Committee ("GEC") consisted of ten (10) members including the President and CEO, who acts as the Chairman of the GEC. The members of the GEC report to the President and CEO. The GEC meets regularly once a month. In addition, the GEC has additional meetings dealing with strategic planning and enterprise risk management.

The GEC's main responsibility is to assist the President and CEO in the operative management of the Group. The tasks of the GEC include, among other things, the Group's strategic planning and review and control of financial matters, major operative decisions, investments and divestments, risk management and development of internal co-operation within the Group.

The GEC is assisted in its work by the GEC's sub-committees.

#### **1.6 Internal Audit**

Pöyry has established an independent Internal Audit function in 2009. The Internal Audit function is headed by the Chief Audit Executive (CAE), who reports to the President and CEO of Pöyry and to the Audit Committee.

The mission of the Internal Audit function is to provide independent, objective assurance regarding the adequacy and effectiveness of Pöyry's controls framework. It helps Pöyry to accomplish its objectives by bringing a systematic, risk based and disciplined approach to assessment of processes, controls and compliance, and hence supporting continuous improvement of Pöyry's operations. The Internal Audit has developed its procedures to meet the Standards for the Professional Practise of Internal Auditing of the Institute of Internal Auditors.

## **1.7 External Audit**

According to the Articles, the Company has one (1) auditor, which shall be an authorised public accounting firm. The Audit Committee prepares proposals to the shareholders concerning the appointment and dissolution of an auditor. The Annual General Meeting appoints the auditor until further notice and resolves on the auditor's fee. The present auditor of the company is the authorised public accounting firm KPMG Oy Ab.

## **2 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS**

### **2.1 Internal control and risk management framework**

Pöyry's internal control and risk management framework is based on the Pöyry Operating Guidelines, which consist of the key policies and instructions issued by the Board, GEC or function heads which must be followed throughout the group. Pöyry has defined its objectives for internal control based on the international COSO framework. The key elements of internal control are the policies and procedures with an objective to ensure:

- Effectiveness, efficiency and transparency of operations on all levels
- Reliability of financial reporting
- Compliance with applicable laws and regulations and the Pöyry Operating Guidelines
- Ethical business conduct

The Pöyry Code of Conduct defines the manner in which Pöyry is represented in business context and imposes high ethical standards. Transparency and integrity are expected at all management levels and from every person working for Pöyry, which is also reflected in all aspects of financial reporting.

The internal controls framework covers all the processes, policies, guidelines, procedures, instructions and organisational structures of Pöyry that assist the management and ultimately the Board of Directors in ensuring that Pöyry achieves the above mentioned objectives. Pöyry's controls framework is designed to provide reasonable and adequate assurance that the internal control objectives are achieved, recognising that no controls framework can completely remove all risks. Internal control is not a separate process or set of activities but is embedded in the operations of Pöyry.

Risk management is an integral part of Pöyry's business management and internal controls framework. The aim of risk management is to enable the achievement of the Company's strategic and financial objectives and targets in a controlled manner.

Read more about Pöyry's risk management and typical risks on the Company's website at [www.poyry.com](http://www.poyry.com).

### **2.2 Control environment**

The internal controls covering the financial reporting processes are an integrated part of Pöyry's internal control system.

It is the duty of the President and CEO, delegated to the CFO, to ensure that the Company's accounting methods comply with the law and other regulations, and that the financial matters are handled reliably. The CFO is responsible for appropriately organising the Finance function, and for notifying relevant levels of management of any material deviations from plans, for analysing the underlying reasons, and for suggesting corrective actions. The Audit Committee monitors the financial reporting process and the effectiveness of the controls therein. Furthermore, the Board of Directors regularly assesses the adequacy and effectiveness of Pöyry's internal controls and risk management.

Project management and project accounting are among Pöyry's most important key processes, also from financial reporting point of view. Several controls are implemented to focus on these critical areas. The project managers have the generic management responsibility for Pöyry's projects, including compliance with Pöyry policies and procedures, in order to ensure accurate and reliable input into financial accounting and financial information.

The controller function has a key role in Pöyry's internal control system in developing, maintaining and communicating mandatory policies and procedures and ensuring compliance with them. Transaction processing is increasingly centralised in dedicated internal shared Financial Service Centres, which strengthens the harmonisation of applied processes and procedures whilst also enhancing compliance. These centres have been established in countries where Pöyry has major operations.

### **2.3 Risk assessment**

Risks related to financial reporting are identified and assessed as part of the group-wide Enterprise Risk Management (ERM) process. Periodic Group and Business Group level self-assessments as well as Internal and External Audits are undertaken to assess risks and to verify the adequacy and effectiveness of the controls framework around financial reporting.

Project risks are assessed both before submitting proposals and regularly during the implementation of projects, based on a mandatory risk review process using a standardised risk management tool for all major projects. The outcome of the project risk assessment may have an immediate impact on the financial reporting. Project managers are supported by dedicated finance resources in order to ensure the accuracy and compliance of the input for financial reporting.

Read more about Pöyry's risk management and typical risks on the Company's website at [www.poyry.com](http://www.poyry.com).

### **2.4 Control activities**

Pöyry's financial management and accounting processes include policies, procedures and controls that are necessary to ensure the reliability of financial reporting. Pöyry companies carry out financial reporting in a harmonised way across all Group companies, based on mandatory policies and procedures, using a common chart of accounts and harmonised set of project management and accounting systems.

All majority-owned subsidiaries use Pöyry's common systems for project accounting, financial accounting and monthly reporting. All major interfaces are standardised and reasonably automated between different systems in the financial reporting process.

The international financial reporting standards (IFRS) are applied in Pöyry Group. The maintenance and interpretation of accounting standards is centralised to the Group Finance function. Monthly closing, data transfers, reconciliation and control procedures are defined in detail for the financial reporting process.

The Board has issued Pöyry's Authorities and Approval Matrix to ensure that decision making involving far-reaching effects and significant risks is made at the appropriate organisational levels.

## **2.5 Information and communication**

Applicable financial standards, policies, tools and systems as well as best practices are available in the Pöyry Group Intranet in order that the necessary information is generally available to ensure consistent, compliant and reliable financial reporting. Group Finance is responsible for the development and maintenance of the information.

Pöyry Finance Leadership team has regular meetings in order to continuously improve finance related processes, procedures, systems and controls. In order to keep the controller organisation's skills and competences at an appropriate level, the Group Finance arranges controller training events. Also the Finance management regularly visit business units and perform systematic reviews, which further enhance the communication and knowledge transfer within Finance. In certain larger operating countries, an appointed country controller has the responsibility to coach and develop the respective business unit controllers.

## **2.6 Monitoring**

The CFO is responsible for maintaining and developing the company's performance management processes so that the management at different levels of the organisation is able to receive timely, reliable and adequate information regarding the achievement of the organisation's objectives, and also for developing the financial reporting processes and respective controls.

The actual performance against business plans, budgets and performance indicators is followed up through the monthly reporting process. In connection with the monthly reporting, updated and analysed full year estimates are mandatory every quarter, but also more frequently if material changes are foreseen.

Monthly performance reviews are held within two days from reporting deadline where Business Group President and Vice President Finance comment to the President and CEO and CFO on essential deviations or changes in actuals or full year estimates as well as on all essential events, concerns, risks and opportunities. Standard minimum agendas are mandatory for monthly meetings at all management levels covering topics relevant for financial and operational monitoring.

Internal and external audits are performed based on annually approved, risk based audit plans, and audit findings are reported both to management levels and to the Audit Committee.

The Board of Directors receive monthly financial information on the Pöyry Group and business group level and approve all externally communicated financial reports. The Audit Committee follows regularly the development of the Finance organisation, as securing adequate and professional finance and controlling resources is paramount.

Group and business group management and controllers supervise and monitor the reporting from the business groups and business units on a continuous basis.